



安能ane

2022 Annual Results Presentation

April 2023



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Agenda



Company Overview

3



Strategic Transformation

7



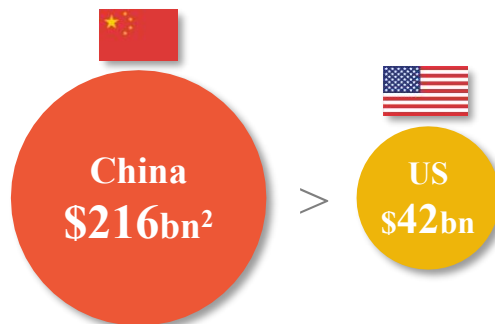
Key Financials

16

The largest express freight network in China¹ with the strongest profitability and resilience



The world's largest LTL market



LTL serves as the **logistics backbone of China's new commerce**



Continued growth expected for China's LTL market, underpinned by **accelerated digitalization** of commerce and trade in China

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Scale



12.5 million tons
Total freight volume



45k tons
Average daily freight volume³



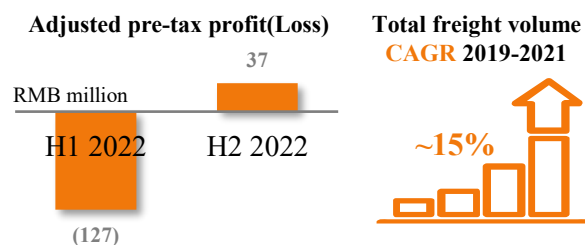
#1
Express freight network by market share

Efficiency



7.8% Gross margin
Leading profitability amongst all express freight networks in 2022

Resilience

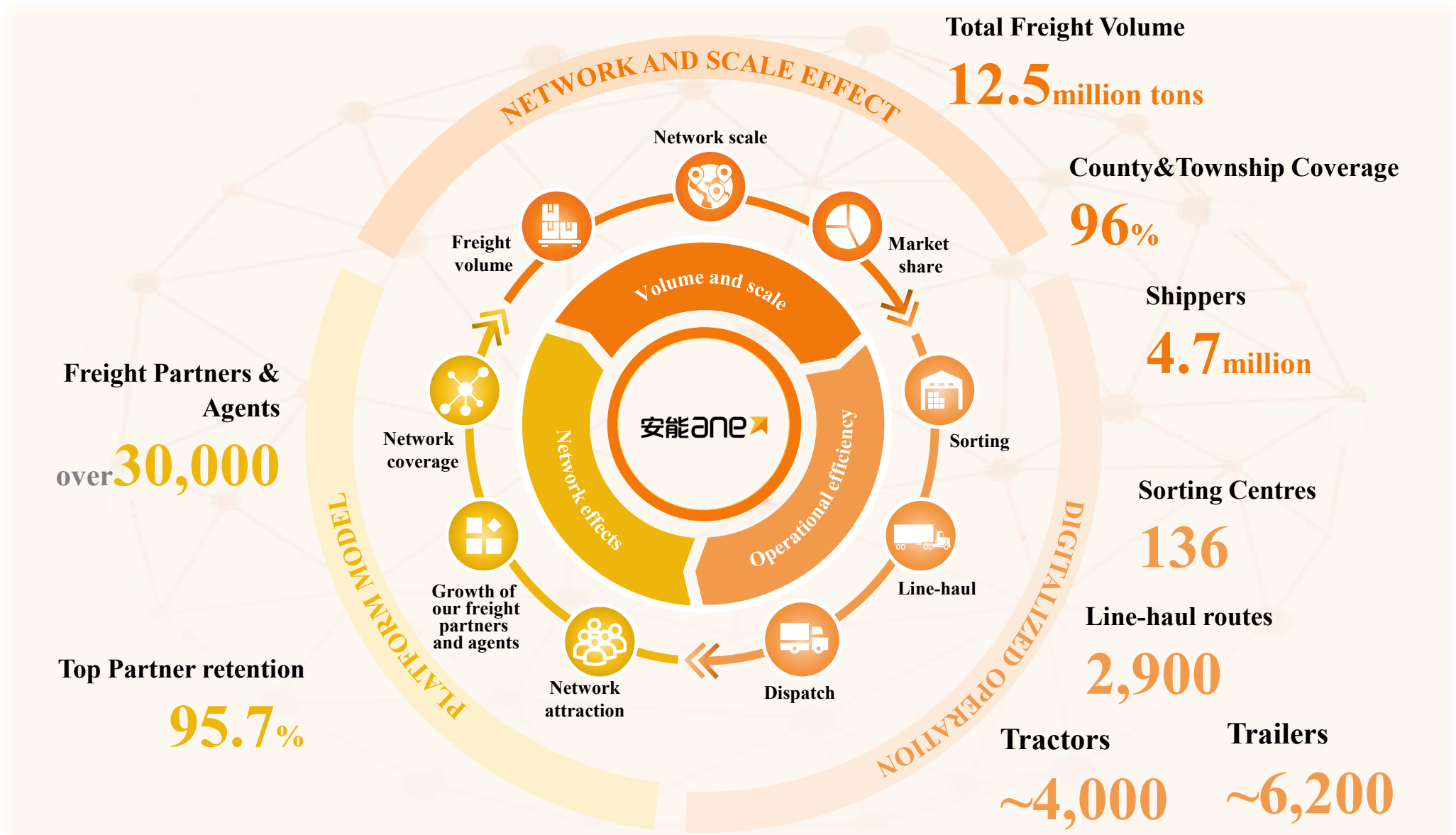


Achieved resilient growth under 3-year Covid-19 pandemic period. In 2022, turnaround in H2 despite strict lockdown policy

Source: Company information; iResearch

Note: USD=6.9 RMB; ¹ In terms of freight volume from 2017 to 2022; ² 2020-2025E CAGR; ³ Average daily freight volume in 2022, calculated based on 283 working days

We navigated the year of 2022, with the resilience of our organization and business model, and prepared ourselves to embark on a new chapter



Source: Company information



Our critical infrastructure

Nationwide footprint¹

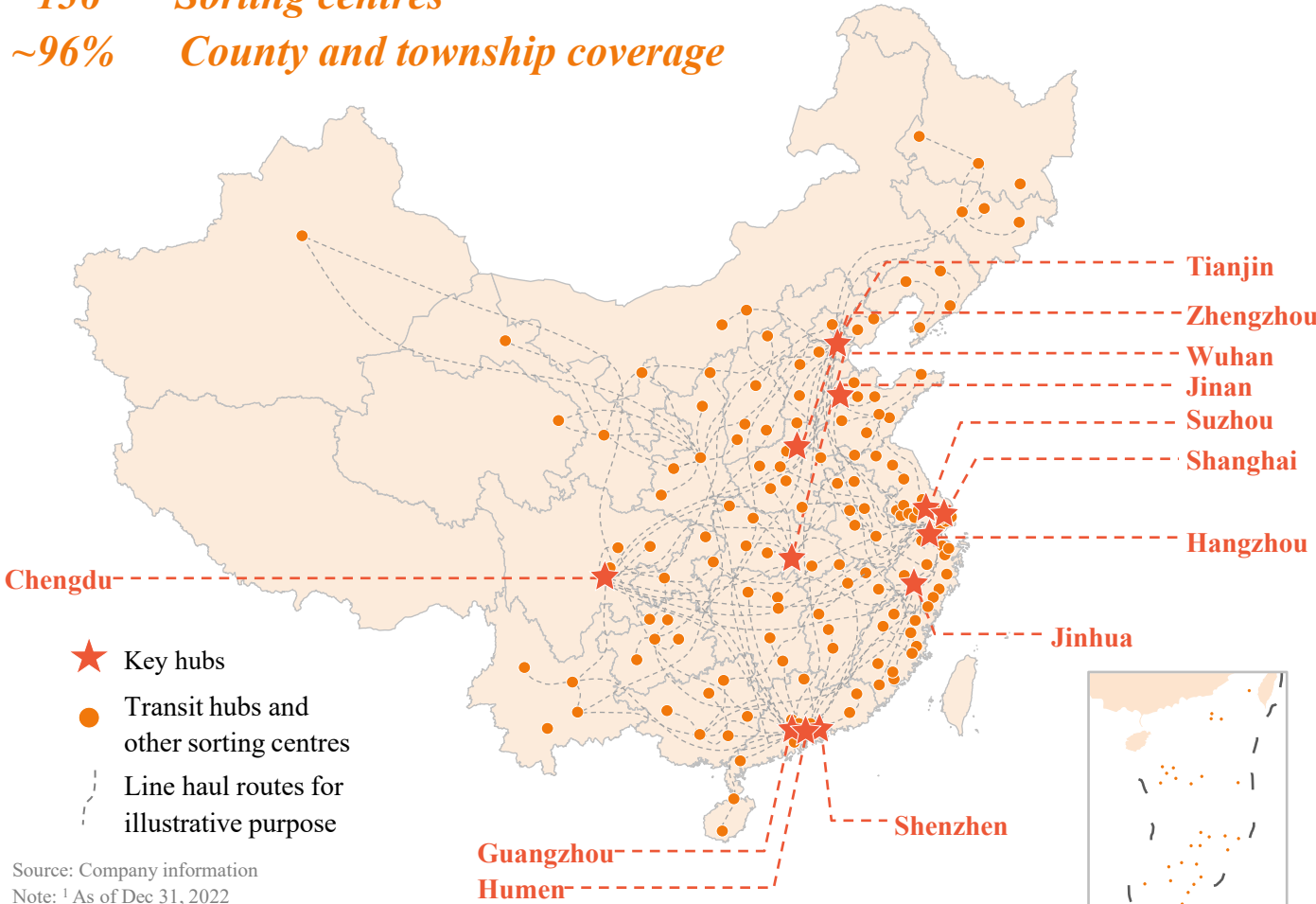
- ~30,000 Freight partners and agents
- ~136 Sorting centres
- ~96% County and township coverage

✓ **Wide and dense network coverage** reaching a diverse base of shippers

✓ **High line-haul direct connectivity** reduces average transit times, lowering unit cost

✓ **Key hubs and sorting centres in strategic locations leading to high barriers to entry**

✓ **Penetration into economically vibrant counties and townships in China**



Source: Company information
Note: ¹ As of Dec 31, 2022

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Our Strategic Transformation

Profitability and **Service Quality** to underpin sustainable and high quality growth
we will focus on steady profit growth and continuous service quality improvement



Strengthen our ecosystem

Unearth growth potential

Empower frontline team



Sustainable Growth

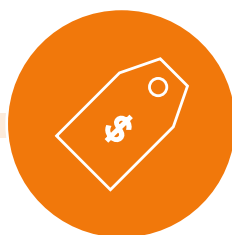
Key Strategic Focus



Organisation

1

- Invigorate frontline management
- Full integration of fleet management in our operation
- Create an empowerment-oriented headquarters



Pricing/ Product

2

- Overhaul of the pricing scheme
- Empower our freight partners & agents with renewed marketing tactics
- Expand direct shipper customer base



Platform Ecosystem

3

- Optimize our network coverage grid to unleash growth potential
- Help our partners improve profitability through various support
- Build a positive ecosystem feedback and response channel



Operation

4

- Enhance line-haul transportation efficiency
- Overhaul fleet management to enhance truck utilities
- Optimize sorting centre footprint and improve sorting efficiency



Service Quality

5

- Reshape customer service functions and boost customer satisfaction
- Steadily improve timeliness performance, focusing on key regions
- Upgrade service quality, improving damage and loss rate

1 Organisation



Strategic Measures

Progress to date

2023 Target



Invigorate frontline management

- Cutting managerial hierarchies, reshuffled 20 provincial divisions to 29 regional business units (RBU)
- Re-selection and appointment of RBU key management

- Develop RBU into more flexible, responsive and independent units
- To nurture a deep talent pool



Full integration of fleet management in our operation

- Consolidation of 49 regional fleets into RBU
- Integration of data, finance, and technology support with Group middle / back office

- Comprehensive integration of line-haul transportation functions from routing, truck dispatching and fleet management



Create an empowerment-oriented headquarters

- Promoted a new generation of capable and driven individuals through a competitive internal hiring process
- Workforce optimization ▼ ~20%

- Head office to enabler rather than based on control and command

2 Pricing and Product



Strategic Measures

Progress to date

2023 Target



Overhaul of the pricing scheme

- New pricing scheme successfully implemented: more detailed breakdown by weight categories, more precise cost based pricing (per route), refined discount

- Optimize product mix to keep enhancing gross margin
- Expand product offerings



Empower our freight partners & agents with renewed marketing tactics

- Pioneered in specialized trading, industrial, and e-commerce markets
- Pilot implementation in our East China and Greater Bay regions

- Significantly increase penetration in specialized trading markets
- Launch product with superior service in the east and south



Expand direct shipper customer base

- Started with service deals with top e-commerce platform (e.g. PDD)

- To expand e-commerce platform business and acquire more KA customers

3 Platform Ecosystem



Strategic Measures

Progress to date

2023 Target



Optimize our network coverage grid to unleash growth potential

- Consolidation of underperforming partners and redesignate business area
- Optimization of load/unload bays for partners at sorting centres to break growth and operation bottleneck

- To maximize value creation by matching freight partners with their respective designated area's market potential



Help our partners improve profitability through various support

- Optimized our dispatch fee and pricing
- Widely extended our fleet operation to carry out transportation from our partners' premises to sorting centres

- Strengthen the trust base among our freight partners and agents
- Optimize our partner and agent promotion system



Build a positive ecosystem feedback and response channel

- Undertook a comprehensive assessment of our ecosystem partners
- Systemize feedback and response mechanism

- To establish a sustainable and flexible ecosystem capable of expedient problem solving



Strategic Measures

Progress to date

2023 Target



Enhance line-haul transportation efficiency

- Consolidate freight to key hubs to increase direct connectivity
- Fixed weekend routes to maintain operation consistency

- Build and standardize just-in-time route planning capabilities across regions
- Optimize loading rate and transit times



Overhaul fleet management to enhance truck utilities

- Increased average mileage by optimizing tractor-trailer ratio and extension routes
- Strengthen management and process control to reduce variable costs such as fuel, tolls and labour costs

- Two-way routes run by self operated fleet, one-way route open market competition
- Build redundancy management capability
- Mileage cost reduction



Optimize sorting centre footprint and improve sorting efficiency

- Enhanced on-site operational standards and training, optimized shift scheduling and staffing
- Expand key hubs and substitute small / inefficient sorting premises

- Lay a solid foundation for service quality improvement
- To improve sorting labour efficiency

5 Service Quality



Strategic Measures

Progress to date

2023 Target



Reshape customer service functions and boost customer satisfaction

- Enhanced customer service SOPs to enable service personnel have the appropriate authorization to solve issues
- Customer feedback review mechanism

- Comprehensive customer service SOPs and manual
- Build a first-class customer service organisation



Steadily improve timeliness performance, focusing on key regions

- Full diagnose of issues related to time performance, optimized standard and targets
- Focused on sorting centres planning and deficiencies improvement

- Shorten average shipment time by elevating full process on-time rate
- Improve first dispatch success rate



Upgrade service quality, improving damage and loss rate

- Established early warning mechanism for identifying high risk outlets
- Reinforced on-site operational standards and training

- Achieve industry-leading loss and damage rate

Staying true to our vision, this transformation offers a crucial opportunity for us to stay on track in meeting our key strategic objectives



To strengthen our industry leading position and further consolidate China's large but fragmented LTL market

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Key Financials

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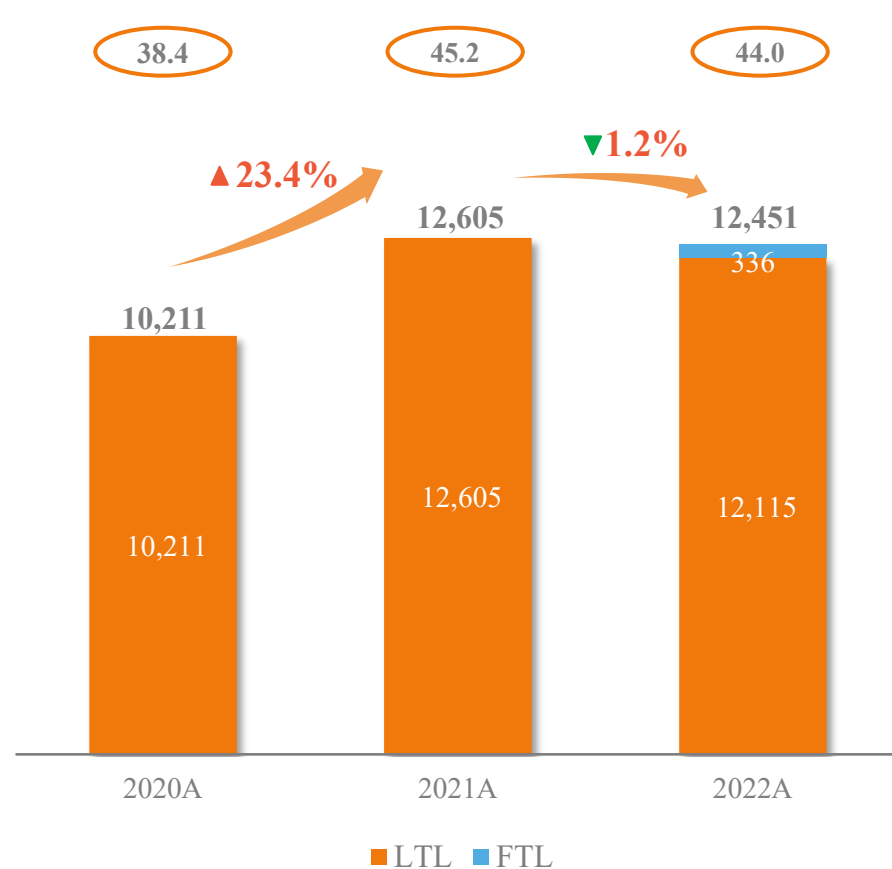


Total freight volume and revenues

Total freight volume

Thousand tons

○ Average daily volume (k ton/day)

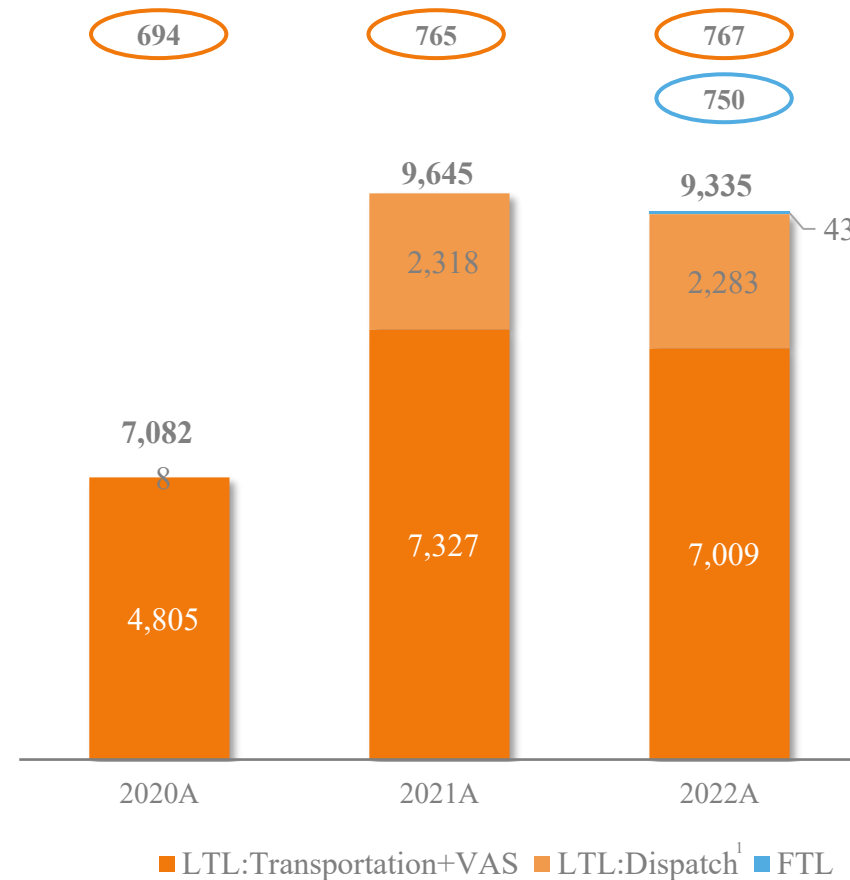


Total revenues

RMB million

○ Unit LTL revenue (RMB/ton)

○ Unit total revenue (RMB/ton)



Source: Company information

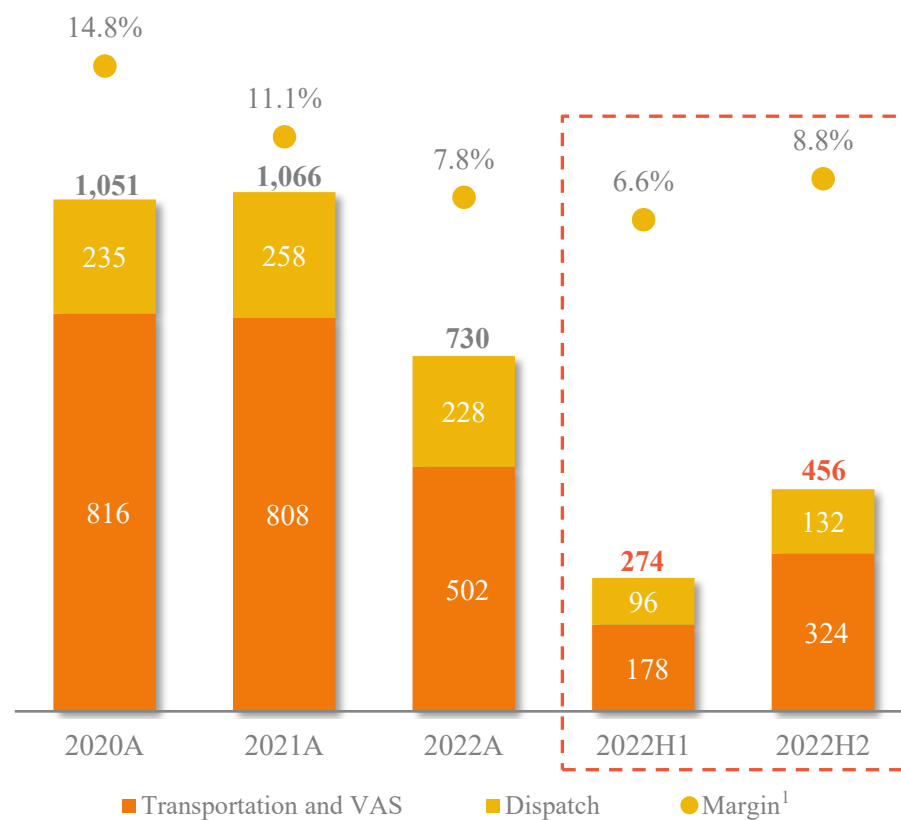
Note: ¹ Prior to July 2020, based on our arrangements with freight partners, our LTL revenue generated from dispatch is deemed as arrangement for dispatch services and was recorded on a net basis. In order to enhance our services for shippers and our control over service quality throughout our express freight network, we have reinforced our contractual responsibilities for any damages to or loss of freight in connection with dispatch on a gross basis. Accordingly, we have recorded all dispatch fees received from pick-up freight partners as our revenue, and all dispatch fees paid to dispatch freight partners as our cost of revenue; Dispatch includes dispatch services and arrangement for dispatch services



Gross margin and unit economics

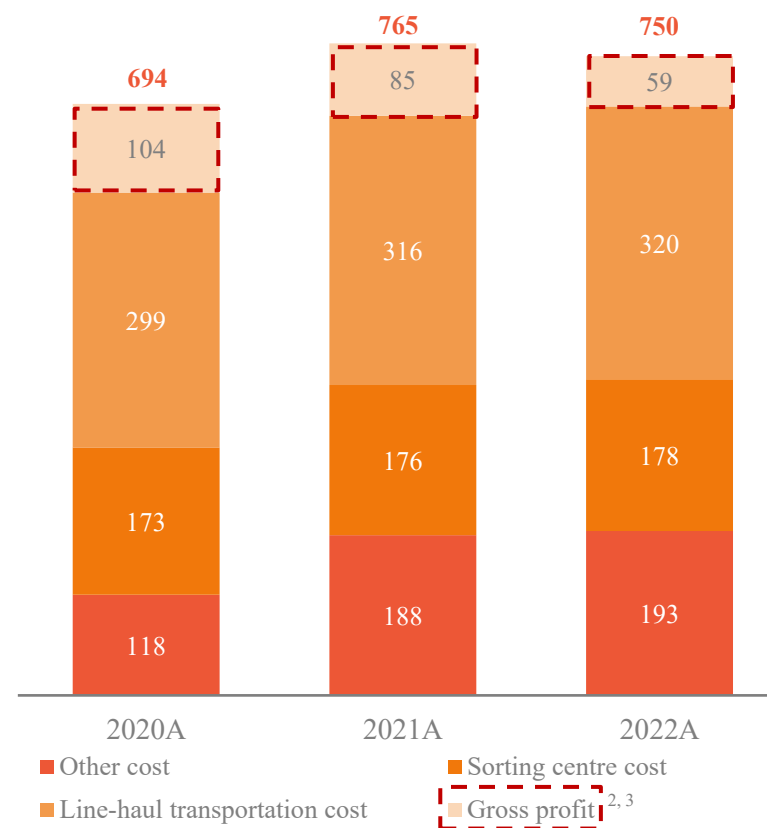
Gross profit

RMB million



Unit economics

RMB/ton



Source: Company information

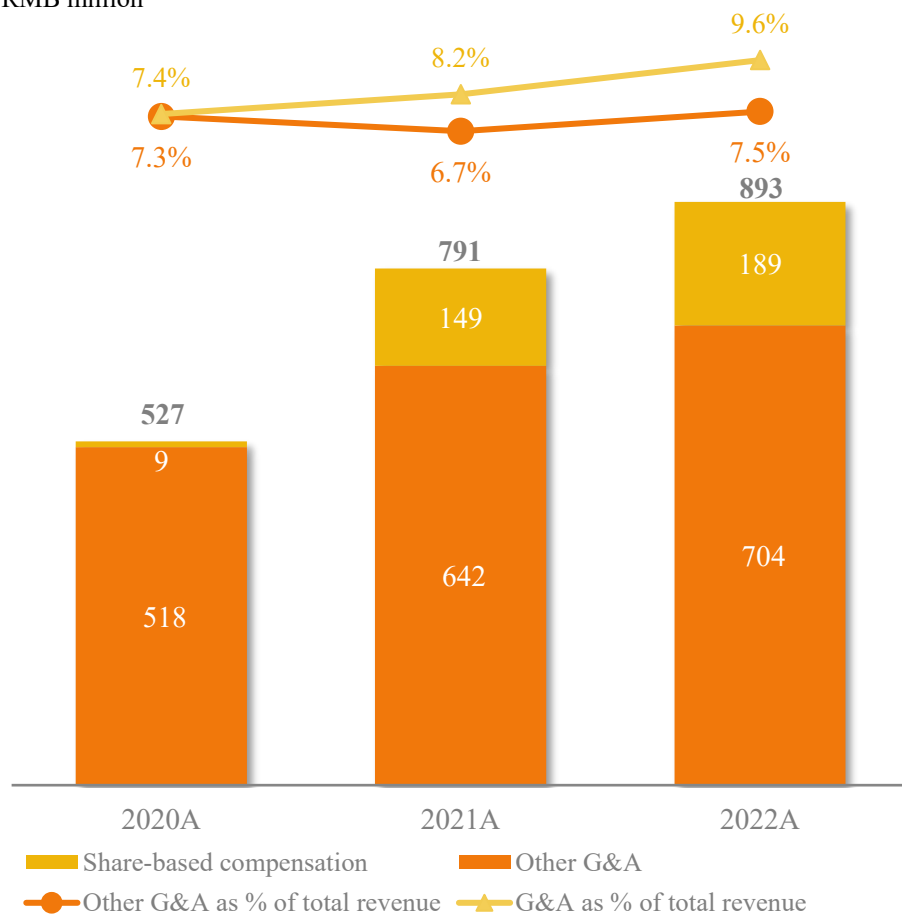
Notes: ¹ Margin is based on total revenue(LTL+FTL); ² Including unit cost of value-added services and unit dispatch cost; ³ Prior to July 2020, LTL revenue generated from dispatch is deemed as arrangement for dispatch services and was recorded on a net basis. Since July 2020, ANE has recorded all dispatch fees received from pick-up freight partners as revenue, and all dispatch fees paid to dispatch freight partners as cost of revenue



G&A expenses and Adjusted operating profit

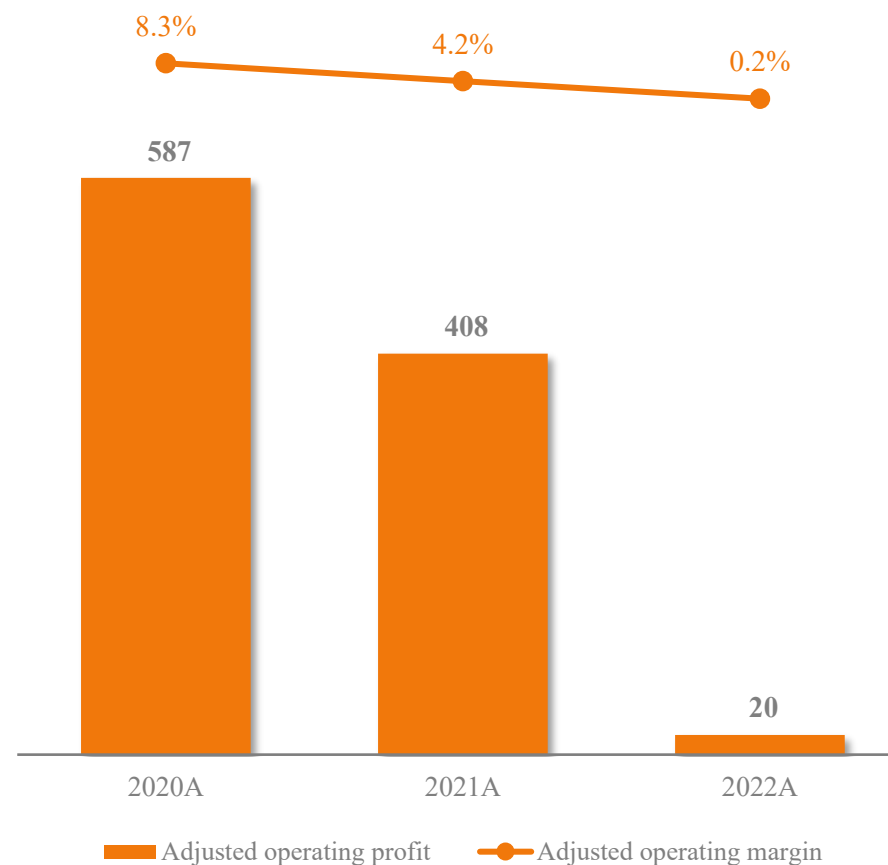
General and administrative expenses

RMB million



Adjusted operating profit/ (loss)¹

RMB million

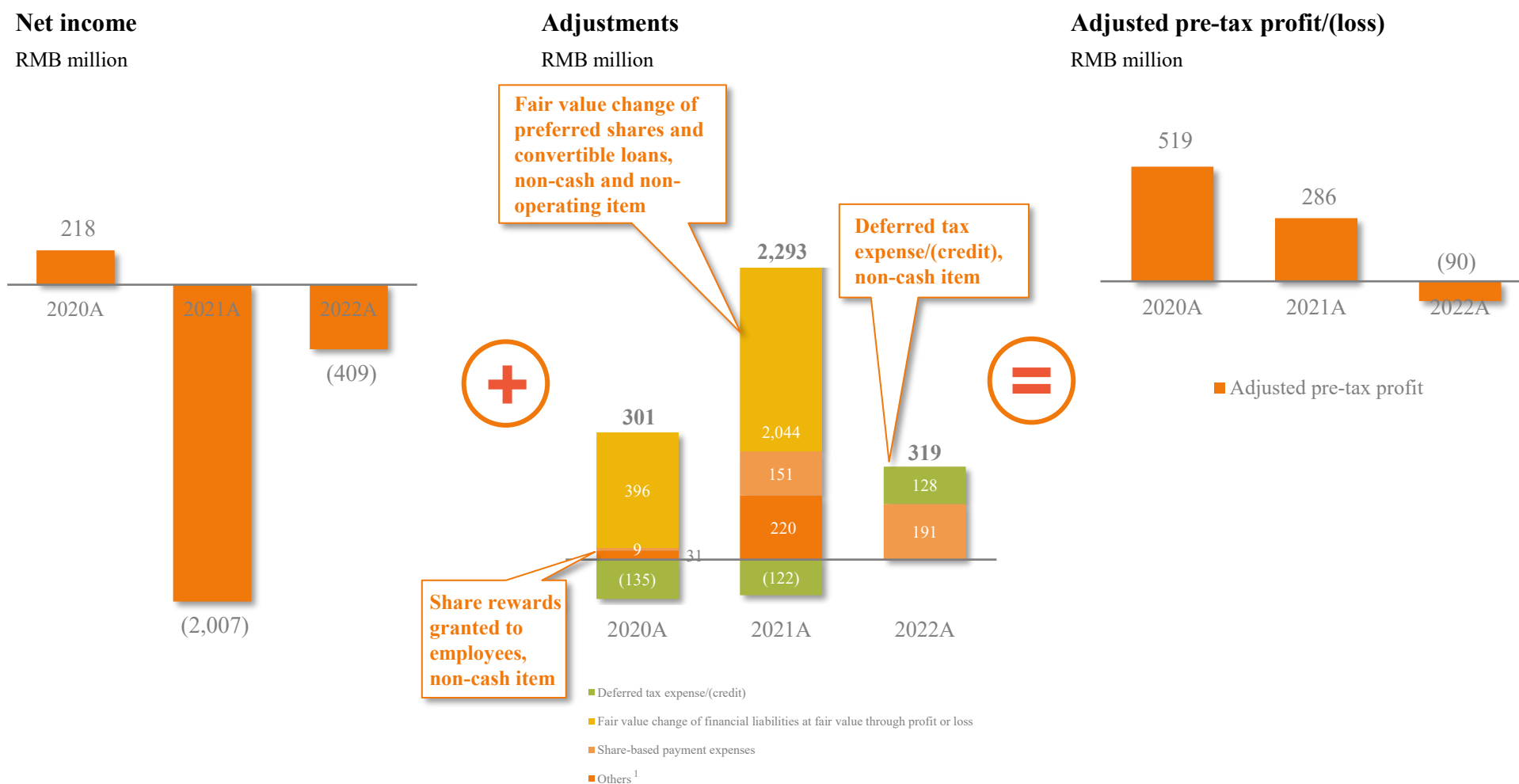


Source: Company information

Note: ¹ Added back share-based payment expenses (non-cash item) for adjusted operating profit / (loss); margin based on total revenues



Reconciliation of HKFRS net income to adjusted pre-tax profit/(loss)



Source: Company information

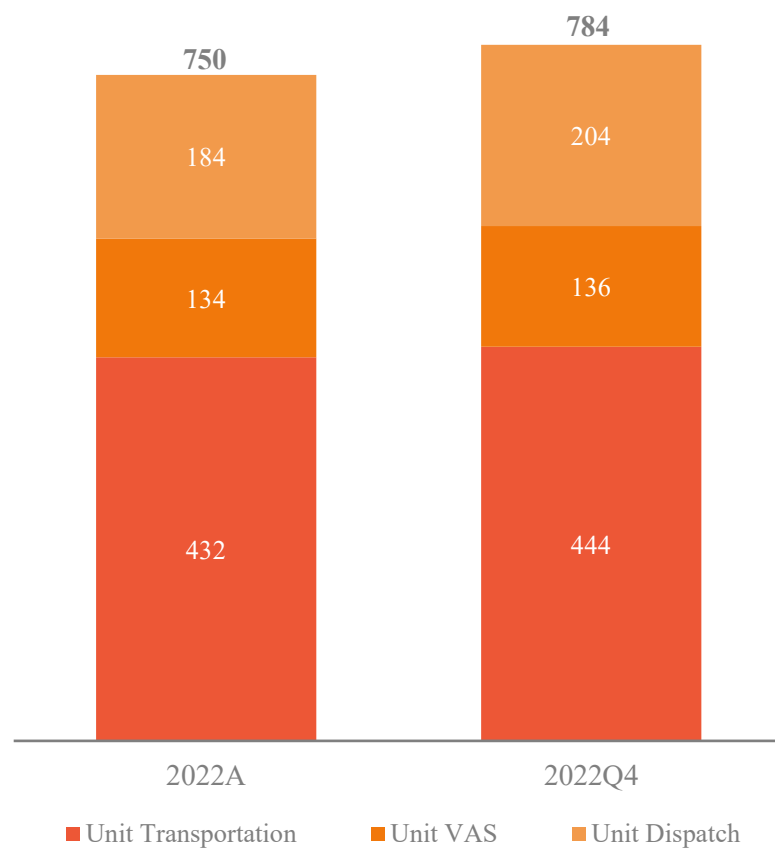
Note: ¹ Including changes in expected redemption amount associated with the put option liabilities, and listing expenses



Enhanced performance of H2/Q4

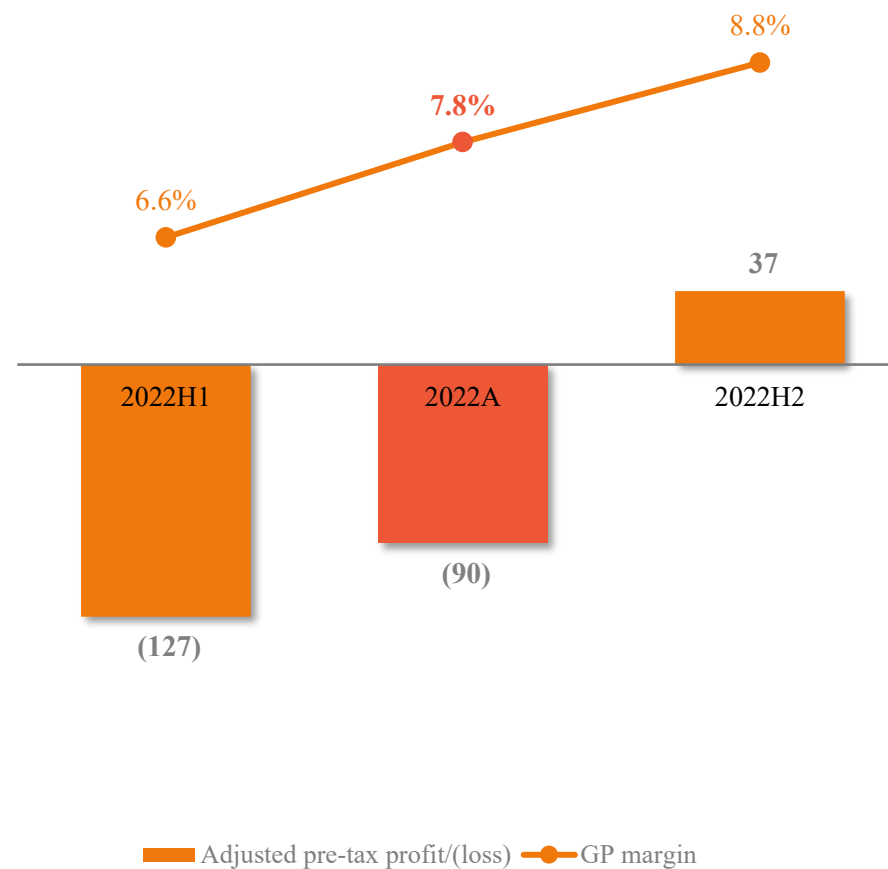
Unit total revenue ¹

RMB/ton



GP margin and Adjusted pre-tax profit/(loss) ²

RMB million



Source: Company information

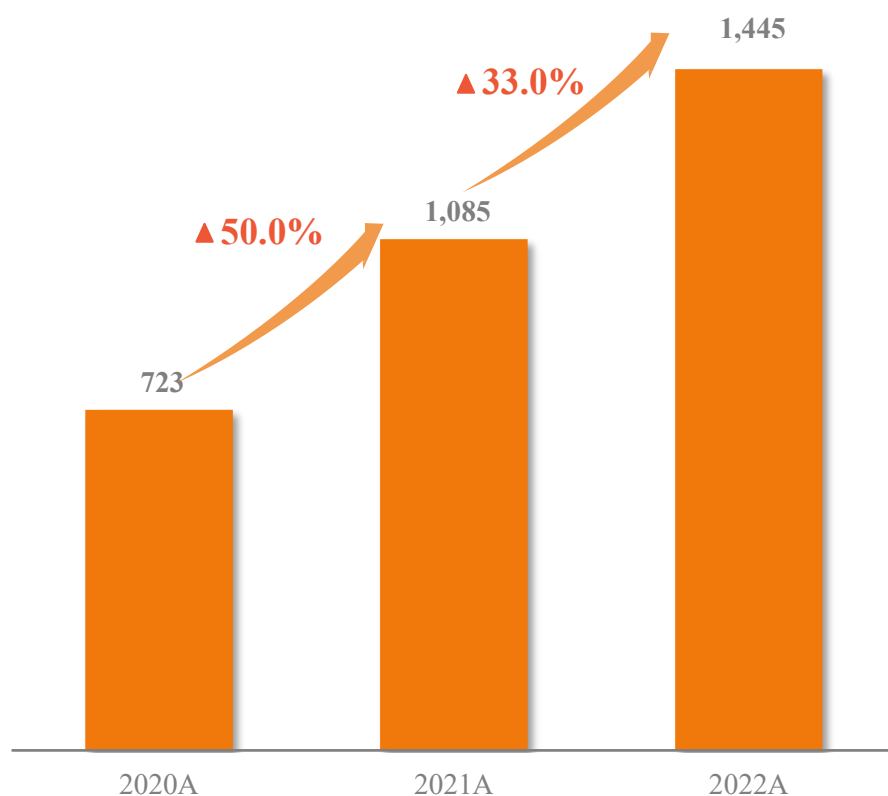
注: ¹ including FTL; ² Adjusted pre-tax profit/(loss) referred to last page



Improved cash flow from operating activities

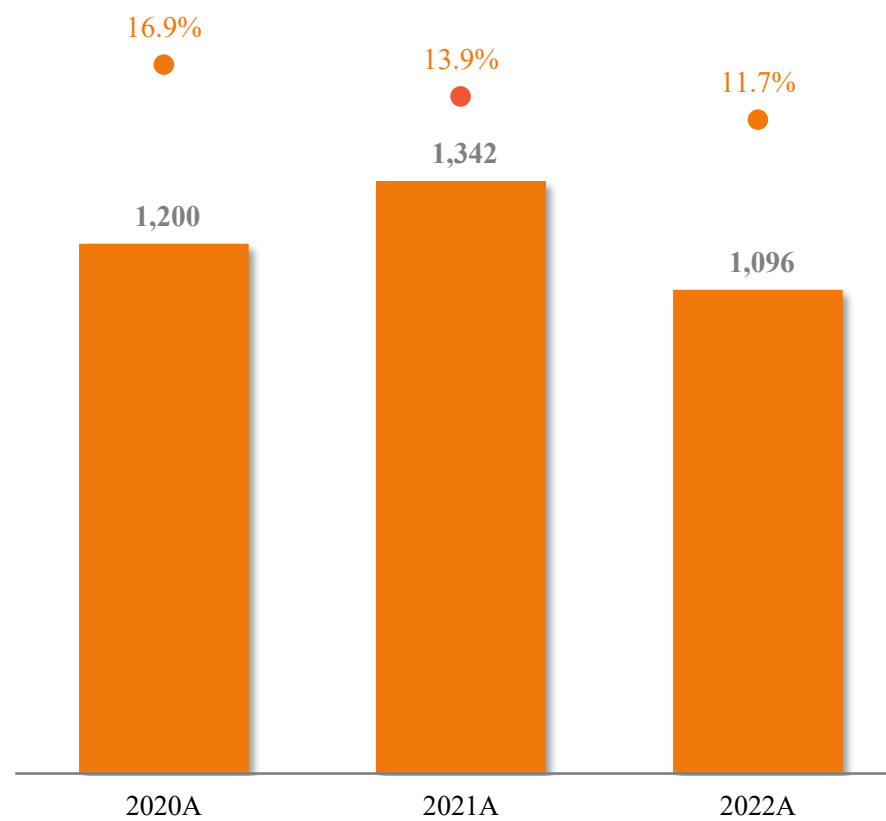
Net cash flows from operating activities

RMB million



Adjusted EBITDA¹

RMB million



■ Adjusted EBITDA ● Adjusted EBITDA margin

Source: Company information

Note: ¹ Adjusted EBITDA = (Loss)/Profit for the year + Depreciation + Amortization – Interest income + Finance Cost – Income tax credit + Fair value change of financial liabilities at fair value through profit or loss + Changes in expected redemption amount associated with the put option liabilities + listing expense

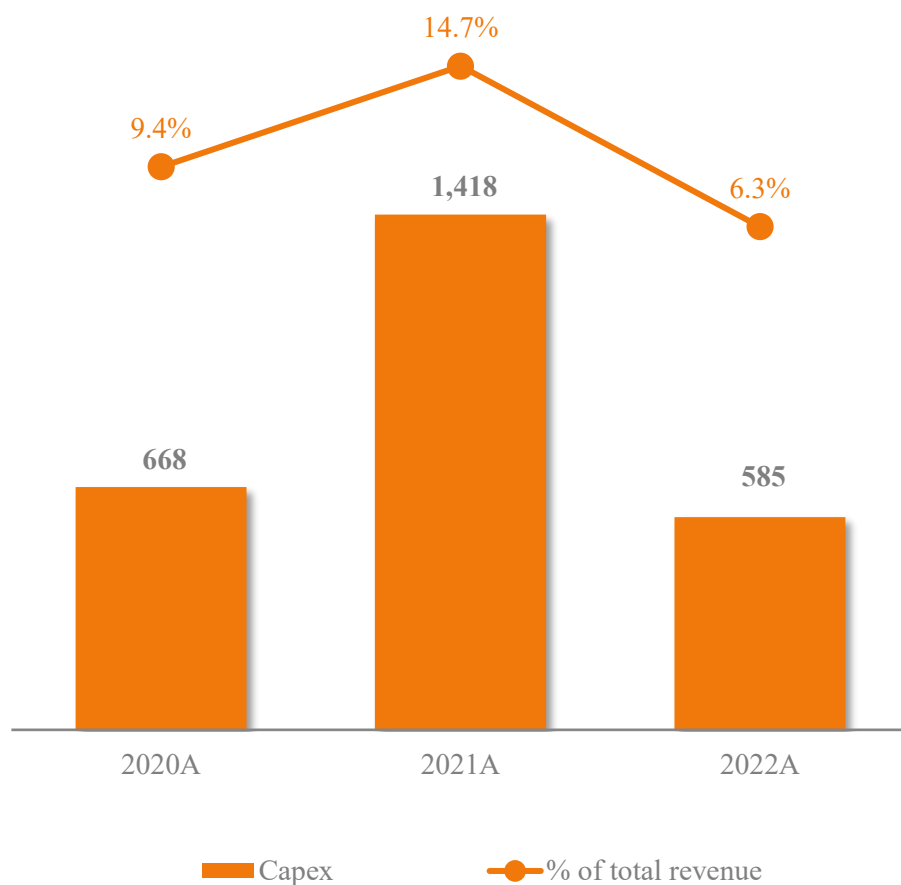


Investing to enhance our future competitiveness

Optimization of trailer-to-tractor ratio - Further transitioning from asset light to asset right model

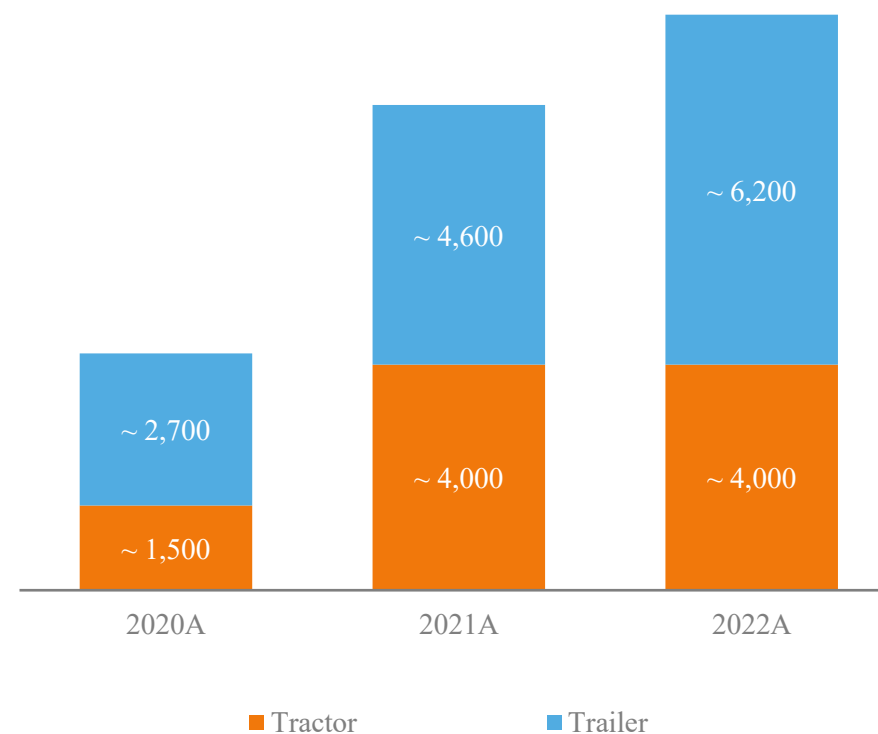
Capex¹

RMB million



No. of self-operated high-capacity line-haul trucks

(At period end)



Source: Company information

Note: ¹ Cash outflow from purchasing PP&E and intangible assets

Thanks



Any further question please contact us
Email Address: IR@ane56.com